



PRESS RELEASE

FOR IMMEDIATE RELEASE
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GILBERT MAN SENTENCED TO TWO YEARS IN PRISON AND ORDERED TO PAY \$800,000 RESTITUTION IN A CORPORATE KICKBACK SCHEME

PHOENIX, ARIZONA -- The United States Attorney for the District of Arizona announces that on July 22, 2003, MICHAEL RALPH HERNANDEZ, D.O.B. (12/1/57) of Gilbert, Arizona, was sentenced to twenty four months imprisonment by a federal district judge in Phoenix, Arizona, for leading a corporate purchasing kick-back scheme. HERNANDEZ previously had pleaded guilty to one count of Mail Fraud, in violation of Title 18 of the United States Code, Section 1341.

HERNANDEZ had been employed as the maintenance supervisor at Arch Chemical Inc.'s Chandler and Mesa production plants. He had previously admitted during his plea hearing that he used his position to steer orders for supplies, equipment and services to suppliers with whom he had reached kick-back agreements. Under those agreements, the suppliers would submit either inflated invoices for products they supplied, or phony invoices for which no product was ever delivered, in response to HERNANDEZ's orders. After HERNANDEZ certified to Arch that product had been received, Arch would issue payment checks to the suppliers, who then would pay HERNANDEZ his cut of the inflated or phony invoice

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revenues. HERNANDEZ admitted to having operated this scheme from as early as 1993 through October, 2000, when he was discharged from Arch. United States District Judge Susan R. Bolton concluded that HERNANDEZ was responsible for at least \$791,558.54 in losses suffered by Arch due to the fraud.

HERNANDEZ also was sentenced to three years of supervised release upon completing his prison sentence, and the court ordered him to pay restitution to the victim in the full amount of \$791,558.54. HERNANDEZ's five co-defendants—the outside suppliers who issued false and or inflated invoices to Arch for products and services at Hernandez's direction—await sentencing before Judge Bolton within the next month.

The investigation in this case was conducted by the United States Postal Inspection Service.

The prosecution was handled by John J. Tuchi, Assistant United States Attorney, District of Arizona, Phoenix, Arizona.

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